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Agenda item 9

REPORT OF THE COMMISSION ON ITS NINETEENTH SESSION

Draft report

Addendum

Rapporteur: Rosa Carmina RECINOS-HERNANDEZ (Guatemala)

Chapter __. ROLE OF TRANSNATIONAL CORPORATIONS IN THE NEWLY OPENED ECONOMIES OF CENTRAL AND EASTERN EUROPE

1. The Commission considered item 4 of its agenda at its 4th and 5th meetings, on 6 and 7 April 1993. It had before it the report of the Secretary-General on foreign direct investment in the newly opened economies of Central and Eastern Europe (E/C.10/1993/5).

2. In introducing the item, the Chief of the Legal, Environment and Transitional Economies Branch of the Division outlined the main themes contained in the report. She underlined that foreign direct investment could be an important catalyst in the opening-up process of the Central and Eastern European economies and their integration into the world economy.

3. Delegations congratulated the Division on the interesting analysis contained in the report, which was considered useful as a basis for programming activities in the area of transitional economies.

4. Delegations welcomed the strong growth in foreign direct investment flows to the countries of the region in spite of the world-wide recession and the overall decrease in foreign direct investment in 1991. They noted that transnational corporations could play a wide-ranging role in the efforts of the countries of the region to convert to market economies, through the dissemination of management skills and expertise, and could contribute positively to the privatization processes and to the transfer of technology.

5. Some delegations noted that Central and Eastern European Governments should create economic and legal frameworks relating directly to the activities of transnational corporations and an expanded private sector. In addition, many delegations stressed the need for measures to be adopted which would create a stable and predictable domestic political, economic and social environment. That was viewed as a basic determinant in attracting foreign direct investment.

6. A number of delegations noted that rules regarding equity and non-equity investment should be clear and readily understandable. The rules should be set up so as to avoid excessive administrative burdens.

7. One delegation stressed the need for an in-depth analysis of foreign direct investment in newly opened economies on a comparative, case-by-case basis, with special focus on the strategies of transnational corporations in the countries in transition, the identification of potential sources of foreign support etc. Similar research on and analysis of the experience of transnational corporations in the privatization process would also be beneficial.

8. Delegations underlined the importance of international technical support in assisting the transition economies in their efforts to strengthen foreign direct investment policies. Detailed country, regional and interregional studies, an exchange of international experts, round-table meetings and training activities were some of the activities that could assist countries of the region to promote foreign direct investment and maximize its benefits in order to facilitate transition.

Action taken by the Commission

9. The Commission:

(a) Took note of the report of the Secretary-General on foreign direct investment in newly opened economies of Central and Eastern Europe (E/C.10/1993/5);

(b) Reaffirmed the importance it attached to the research and technical assistance activities of the Division in countries with transitional economies;

(c) Requested the Secretary-General to report to the Commission at its twentieth session on the analytical and technical assistance activities of the Division in all transitional economies and to report to it on the progress and activities of foreign direct investment and transnational corporations operating in transitional economies.